

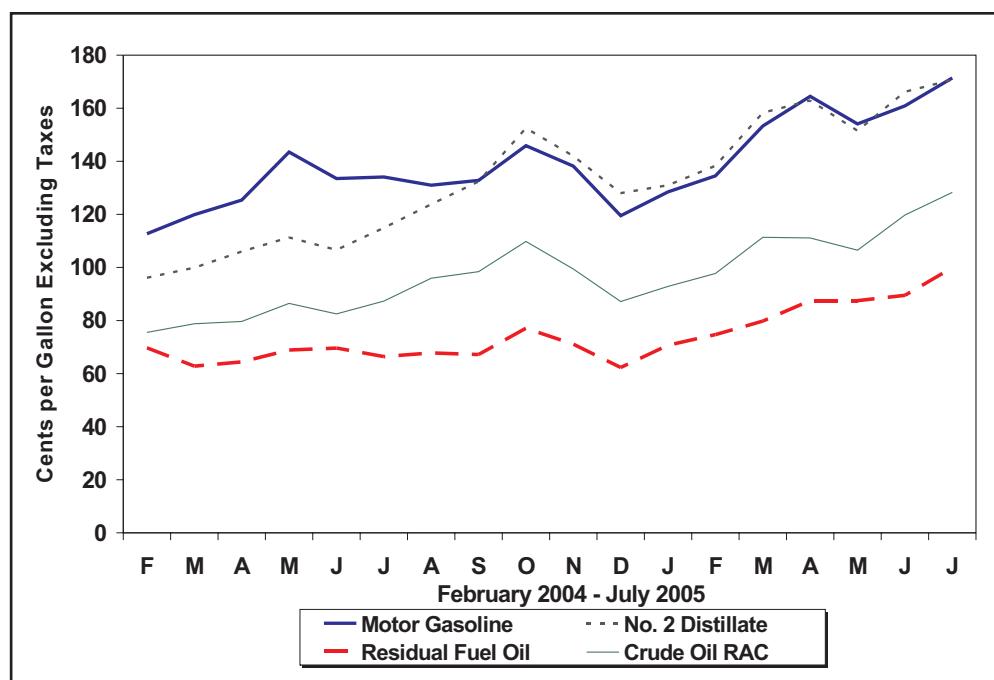
Highlights

International crude oil prices were unsettled in July. The volatility was the result of inclement weather, vigorous demand, production problems, and terrorist attacks. Early in the month, two storms in the Gulf of Mexico drove the benchmark West Texas Intermediate (WTI) stream to a new all-time high of \$61.24 per barrel. First, Tropical Storm Cindy came ashore at Grand Isle, Louisiana on July 6. Coming on Cindy's heels, Hurricane Dennis made landfall at Pensacola, Florida on July 10. While Cindy shut-in 12.70 percent of daily U.S. oil production in the Gulf of Mexico, at the peak of field evacuations due to the storm, Dennis shut-in 96.2 percent of daily production. Additionally, the Louisiana Offshore Oil Port (LOOP) was shut for about two days during both storms, which temporarily affected crude oil imports into the United States. Later in the month, Hurricane Emily traveled through the Gulf of Mexico, making final landfall on the Yucatan Peninsula, about 75 miles south of the U.S.-Mexico border on July 20. The storm led to a production shut-in for the region, which normally produces about three million barrels per day of oil for Mexico, the world's ninth largest oil producer. Political events also affected oil prices. On July 6, a terrorist bombing attack on the London, England subway system killing 52 people, besides the four attackers. The incident caused crude oil prices to fall due to fears of a possible economic slowdown affecting oil demand, similar to the aftermath of the September 11, 2001 attacks in the United States. A second bombing incident in London on July 21 briefly dampened prices on fears the event might affect consumer confidence. Oil prices were on the rise again when a car bomb attack in an Egyptian resort town on July 23 killed 80 people. The incident modestly underpinned prices, since it served as a re-

minder of the political volatility in the region. Some market watchers also attribute support for the rise in prices to the revaluation of the Chinese currency, believing it could stimulate demand. Late in the month, reports that the Organization of Petroleum Exporting Countries (OPEC) output was at its highest level in 26 years failed to dampen prices. Finally, scheduled maintenance along with unexpected outages at North Sea production facilities helped underpin rising prices during the latter part of the month.

In U.S. markets during July, crude oil and refined products prices were influenced by storms, inventory levels, robust demand, and refinery problems. Amid the height of the summer driving season, gasoline demand moved at a brisk pace. Monthly data reflecting implied demand show a modest increase from June's level, but more notably show a 2.3 percent increase from the July 2004 rate. However, gasoline production data show

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	July 2005		June 2005		July 2004		July 2005		June 2005		July 2004	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	185.0	62.7	172.1	63.4	148.3	59.0	171.4	332.0	160.9	343.4	134.1	331.2
Conventional	179.3	36.0	168.0	36.1	143.4	35.0	167.0	224.7	158.1	230.7	130.1	227.7
Regular	177.1	30.0	165.8	30.0	140.8	28.4	165.6	192.7	156.7	198.5	128.6	196.6
Midgrade	185.5	3.4	174.1	3.4	150.6	3.7	170.5	12.6	161.7	12.6	135.7	10.9
Premium	196.4	2.6	184.7	2.7	159.3	2.8	179.4	19.4	169.6	19.6	141.2	20.2
Oxygenated	182.6	2.0	171.7	2.0	149.0	1.7	169.4	9.2	159.9	9.2	136.1	7.8
Regular	180.8	1.7	170.0	1.7	146.8	1.4	168.3	7.5	158.8	7.5	135.1	6.3
Midgrade	188.0	0.2	176.0	0.2	155.9	0.2	169.3	1.0	159.9	1.1	136.2	1.0
Premium	196.3	0.1	184.6	0.1	165.2	0.1	182.8	0.7	173.5	0.7	148.6	0.5
Reformulated	193.6	24.7	177.9	25.3	156.1	22.4	181.6	98.1	167.1	103.5	143.6	95.8
Regular	189.8	18.8	174.2	19.2	152.0	16.7	179.1	79.9	164.8	84.3	141.0	76.6
Midgrade	201.2	2.8	185.1	2.9	163.1	2.5	187.0	4.5	172.6	4.7	150.2	5.2
Premium	209.8	3.0	194.1	3.2	172.2	3.1	194.7	13.7	179.0	14.5	155.6	14.0
Aviation Gasoline	223.7	0.1	212.1	0.1	185.4	0.1	208.3	0.6	195.8	0.7	169.9	0.7
Kerosene-Type Jet Fuel	172.2	46.0	164.8	49.7	116.9	46.9	171.1	16.9	164.4	15.5	115.6	14.6
Propane (Consumer Grade)	101.2	2.2	98.6	2.4	77.6	2.6	85.6	28.9	82.6	31.2	72.2	34.6
Kerosene	W	W	W	W	W	W	174.2	0.7	169.2	0.7	119.3	0.8
No. 1 Distillate	183.4	0.1	175.6	0.1	126.4	0.1	178.6	0.4	175.3	0.4	127.3	0.3
No. 2 Distillate	175.3	19.3	168.6	21.4	119.5	19.5	170.7	133.7	166.2	142.6	114.8	131.2
No. 2 Fuel Oil	171.2	1.7	166.9	1.9	113.2	2.1	164.7	18.1	159.7	17.9	109.5	14.7
No. 2 Diesel Fuel	175.7	17.6	168.8	19.5	120.2	17.4	171.6	115.6	167.1	124.7	115.4	116.5
Low Sulfur	178.4	11.8	171.3	13.2	122.5	11.5	172.1	103.0	167.9	109.5	116.2	99.6
High Sulfur	170.4	5.8	163.7	6.4	115.8	5.9	167.6	12.6	161.6	15.3	110.8	16.9
No. 4 Fuel^a	W	W	W	W	W	W	W	W	131.6	0.0	97.3	NA
Residual Fuel Oil	104.5	10.1	101.2	10.3	71.7	9.6	99.9	5.1	89.5	7.4	66.8	5.4
Sulfur Content not > 1 %	113.8	4.4	108.6	4.1	78.2	2.6	111.2	2.8	98.4	3.0	73.7	2.6
Sulfur Content > 1 %	97.3	5.6	96.2	6.2	69.3	7.0	86.5	2.3	83.6	4.5	60.6	2.8

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

the July 2005 rate was slightly below the year-ago level, as were imports. As a result, total gasoline inventories fell 4.8 percent from last year at this time, and by nearly the same amount from the June 2005 level. In comparison, while crude oil stocks declined modestly in July, they remained nearly 6 percent above the year-ago level. Behind these numbers lie the matter of refinery outages. Following the month's low for regular gasoline at New York Harbor on July 17, reports of problems at three refineries in Louisiana led the price upward again. West Coast gasoline prices were also affected by news of a refinery fire in Southern California on July 21. At the close of July, a fire at BP Oil's Texas City refinery, the third largest refinery in the United States and producer of about 3 percent of the nation's gasoline supply, underpinned rising prices. Further,

power outages stemming from Tropical Storm Cindy and Hurricane Dennis hindered refining operations in the affected regions in the aftermaths of the storms. Despite these developments, distillate stocks that had been setting records for off-season demand registered increases during July. Total distillate stocks were 11.1 percent higher than last month, and 8.7 percent higher than one year ago. A look at monthly average New York Harbor spot market prices sheds some light on the general tone in U.S. oil markets during July. The July 2005 monthly average spot price for No. 2 fuel oil was \$1.640 per gallon compared with \$1.612 per gallon in June 2005. However, the year-to-year change was more substantial, with the July 2004 average price 55 cents lower at \$1.089 per gallon. While the monthly average price for regular gasoline shows a less extreme

year-to-year spread than No. 2 heating oil prices, it is significant nonetheless: the July 2005 price was \$1.591 per gallon compared with \$1.224 per gallon in July 2004, a difference of 36.6 cents. At \$1.509 per gallon, the June 2005 price was 8.2 cents lower than July's price. Finally, the WTI price averaged \$59.00 per barrel in July 2005, compared to \$56.35 per barrel last month and \$40.75 per barrel one year ago.

Additional July market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

The daily spot price for WTI crude oil at Cushing, Oklahoma was volatile during July. Opening at \$56.63 per barrel, its lowest point for the month, the price immediately jumped nearly \$3 per barrel just before July 4, and continued to rise after the holiday as Tropical Storm Cindy threatened oil production and processing facilities in the Gulf of Mexico. It reached the month's high and an all-time high of \$61.24 per barrel on July 6. Easing after the storms passed through the region, the price dropped steadily during the coming weeks, nearing its opening low by July 20. Rebounding moderately through the end of the month, mainly due to rising refined products' prices and technical factors, the price closed July at \$60.71 per barrel, \$4.08 above the month's opening level.

- Monthly average crude oil prices increased again in all categories in July. The average domestic crude oil first purchase price rose \$3.43 (6.9 percent) to \$53.30 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil increased \$2.67 (5.5 percent), to \$50.97 per barrel. The average landed cost of foreign crude oil rose \$2.56 (5.2 percent), to \$52.22 per barrel.
- The average refiner acquisition cost for domestic crude oil climbed \$3.65 (7.0 percent), to \$55.78 per barrel. The average cost of imported crude oil to U.S. refiners increased \$3.60 (7.3 percent), to \$52.88 per barrel, while the composite refiner acquisition cost for crude oil rose \$3.58 (7.1 percent), to \$53.88 per barrel.

Petroleum Products

Motor Gasoline

In reaction to a number of issues, the daily spot price for regular gasoline at New York Harbor was unsettled during July. Opening at \$1.490 per gallon, the price jumped upwards during the initial days of July, as the complex as a whole rose in response to the storms affecting the Gulf Coast region. The price reached the month's high of \$1.692 per gallon on July 7. Falling significantly during the few weeks as storm-related pressure abated, the price reached the month's low of \$1.485 per gallon on July 18. The price began rising again as weekly inventory reports continued to show declining stock levels in the face of robust demand. The price closed July at \$1.670 per gallon, 18 cents above the month's opening level.

- Monthly average gasoline prices rose firmly in all categories of sales during July. The average price for retail sales of motor gasoline by refiners increased 12.9 cents to \$1.850 per gallon, while the average wholesale price rose 10.5 cents to \$1.714 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets jumped 12.3 cents to \$1.845 per gallon. The average wholesale price for gasoline rose 10.4 cents to \$1.717 per gallon. The average dealer tank wagon (DTW) price climbed 11.8 cents to \$1.787 per gallon, while the average rack price increased 9.4 cents to \$1.706 per gallon. The average bulk sale price jumped 11.2 cents to \$1.622 per gallon. Reformulated gasoline prices were 13.0 cents more than conventional gasoline prices at retail, and 13.6 cents more at wholesale. Oxygenated gasoline prices were 1.0 cent higher than conventional gasoline prices at retail, and 1.1 cents more at wholesale.
- Refiner sales of motor gasoline decreased in July. Total sales fell 12.1 million gallons per day (3.0 percent) to an average of 394.7 million gallons per day. Retail sales dropped 700,000 gallons per day (1.1 percent), while wholesales declined 11.4 million gallons per day (3.3 percent). Rack sales formed 70.7 percent of wholesales, while DTW and bulk sales made up 15.7 percent and 13.6 percent, respectively. Reformulated gasoline accounted for 31.1 percent of total motor gasoline sales, while oxygenated gasoline made up 2.8 percent of sales.

No. 2 Distillate

Following the general volatile trend seen in the market, the daily spot price for No. 2 heating oil at New York Harbor had a broad range during July. Opening at \$1.611 per gallon, the price quickly moved to the month's high of \$1.774 per gallon on July 6. Like other products' prices, the No. 2 heating oil price moved gradually downward during the next few weeks as the threat of storms affecting the Gulf Coast flagged and weekly stocks reports continued to show rising inventories. After the month's low of \$1.527 per gallon was struck on July 21, the price rose firmly through the end of the month, due in part to robust demand for distillates. The price closed July at \$1.630 per gallon, 1.9 cents above its open level for the month.

- July monthly average prices for No. 2 distillates increased in all sales categories. The national average residential sales price rose 6.3 cents to \$2.049 per gallon. The average wholesale price increased 4.3 cents to \$1.715 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets climbed 7.6 cents, while the average wholesale price for No. 2 diesel fuel rose 4.3 cents. The difference between low- and high-sulfur diesel fuel prices was 7.7 cents at retail, and 2.9 cents at wholesale.
- Overall, sales of No. 2 distillates by refiners declined in July. Total sales fell 11.0 million gallons per day (6.7 percent), to 153.0 million gallons per day. Sales of No. 2 fuel oil remained flat, while sales of No. 2 diesel fuel decreased 11.0 million gallons per day (7.6 percent). Low-sulfur diesel fuel accounted for 86.2 percent of all refiner diesel fuel sales, and 75.0 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Monthly average residual fuel oil prices increased in July. Refiner prices for low-sulfur residual fuel oil rose 5.2 cents to \$1.138 cents per gallon at retail, while the average wholesale price increased 12.8 cents to \$1.112 per gallon. The average refiner retail price for high-sulfur residual fuel oil rose 1.1 cents to

97.3 cents per gallon, while the wholesale price climbed 2.9 cents, to 86.5 cents per gallon. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil increased 7.1 cents to \$1.134 cents per gallon at retail, and 6.5 cents to \$1.056 per gallon at wholesale. The retail price for high-sulfur residual fuel oil rose 2.3 cents to 98.2 cents per gallon, while the wholesale price climbed 5.2 cents to 91.2 cents per gallon.

- Refiner sales of residual fuel oil were mixed during July. Total sales fell 2.5 million gallons per day (14.1 percent). Low-sulfur residual fuel oil sales increased 100,000 gallons per day (1.4 percent), while high-sulfur residual fuel oil sales dropped 2.8 million gallons per day (26.2 percent).

Other Products

- In general, prices for the remaining surveyed products rose in July. Refiner prices for propane climbed 2.6 cents per gallon at retail, and 3.0 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price fell 4.9 cents per gallon, while the average retail price declined 1.7 cents per gallon. The average wholesale propane price rose 2.8 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, and No. 1 distillate rose at both retail and wholesale. The wholesale price for kerosene also increased during July.
- Refiner sales of these products largely declined during July. Sales of propane and aviation gasoline fell at both the retail and wholesale levels. Sales of kerosene-type jet fuel declined at retail, but increased at wholesale, as did sales of No. 1 distillate. Kerosene sales declined at the wholesale level in July.